

INTERNAL REVENUE SERVICE

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The Honorable Dianne Feinstein
United States Senate
Washington, D.C. 20510

Dear Senator Feinstein:

I apologize for the delay in responding to your inquiry (copy enclosed) dated May 10, 2001, to Ms. Carleen Tally, Director of Congressional Affairs, Health Care Financing Administration, Department of Health and Human Services (HHS). You wrote on behalf of your constituent, [REDACTED], who believes certain taxes are unfair to him and to other working senior citizens. A member of HHS forwarded your inquiry to us for response.

[REDACTED] questions the fairness of requiring working senior citizens to pay Federal Insurance Contributions Act (FICA) tax, which is made up of social security and medicare taxes, on his wages even though he receives social security benefits. The Congress enacted the Social Security Act and the FICA to provide for a federal system of old-age, survivors, disability, and hospital insurance. Under this system, the social security tax finances old-age, survivors, and disability insurance. The medicare tax finances the hospital insurance. Generally, an employer and an employee pay FICA tax on wages paid to the employee during the employee's working years regardless of age or whether the employee is receiving social security benefits. While [REDACTED] may be paying FICA taxes on wages paid to him, the social security retirement benefits and medicare coverage play an important role in the life of every American.

[REDACTED] also questions the fairness of paying income taxes on his income, including his social security benefits. [REDACTED] is correct in that social security benefits may be subject to income tax. The amount of income tax, if any, that [REDACTED] must pay on the social security benefits he receives depends on the total amount of his income and benefits for that taxable year. To assist [REDACTED], I have enclosed a copy of Publication 915, Social Security and Equivalent Railroad Retirement Benefits, that explains the federal income tax rules for social security benefits.

I hope this information is helpful. If you have any questions, please call me at (202) 622-6010 or Elliot M. Rogers, Identification Number [REDACTED], at (202) 622-6040.

Sincerely,

MARY OPPENHEIMER
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(Exempt Organizations/Employment
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Enclosures (2)